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May 19, 2014

Mayor William V. Bell and Members of the Durham City Council:

I am pleased to present the proposed budget for Fiscal Year 2014-15. The proposed budget reflects a new fiscal reality that governmental agencies have to adapt to in order to continue providing core services, such as police, fire, street repair, and recreation services to the community. The budget challenges we face are not new and, unfortunately, they will not end this fiscal year or even the next fiscal year. The national economy and the resulting changes to the state and local economy have made what appear to be permanent changes in our ability to provide services and, as a result, the financial challenges are likely to remain beyond even the 2019-2020 fiscal year. The challenge now is to make the structural changes necessary to keep the City financially sound. I am confident that if we stay the course and continue to make the necessary hard decisions, and modify some of the ways in which we deliver services to the community, we will emerge from the aftermath of the nation's longest recession as a stronger community.

Durham citizens' participation in the budget process has been nationally recognized and the City continues to develop in that effort. Once again, five "Coffees with Council" were held to obtain input on the development of the upcoming year's budget and Capital Improvement Plan (CIP). Neighborhood Improvement Services, in an effort to engage underrepresented residents, conducted community listening sessions. This pilot project, using the Dynamic Facilitation Method, was successful in increasing participation and will become a part of the City's continued community engagement efforts.



There are two Public Hearings scheduled to receive comments from residents. The first, to receive input on priorities for the upcoming year, was held on March 3<sup>rd</sup>. The second Public Hearing will be held on June 2<sup>nd</sup> in conjunction with our annual e-Town Hall. This event will be moderated by Ken Smith, the reporter/anchor at WRAL. Similar to last year, residents will have an opportunity to submit questions in advance via e-mail, YouTube, Facebook and Twitter and hear City Council responses to those questions live on DTV8 or via live stream on our website at [DurhamNC.gov](http://DurhamNC.gov). Questions will also be accepted during the live event.

City Council budget retreats were held in February which gave City Council members an opportunity to discuss and confirm priorities for the upcoming fiscal year and allowed the Administration to brief City Council on financial projections and major initiatives for the upcoming budget. The result of these transparent interactions yielded generally the same major community priorities, all of which are included in one or more of the City Council goals:

- Strong and Diverse Economy
- Safe and Secure Community

- Thriving and Livable Neighborhoods
- Well-Managed City
- Stewardship of City's Physical Assets

City Council adopted **budget guidelines** to inform the development of the proposed budget. These guidelines, along with the strategic plan, served as the framework for developing the budget, and included:

- A tax increase of **0.73 cents** (per \$100 assessed value) will be used in the **debt service fund** to cover increases in debt service costs.
- A tax increase of **0.56 cents** (per \$100 assessed value) will be proposed for the General Fund to cover pay and benefit expenses assumed with the expiration of public safety grants **Certificate of Participation** (COPs) and **Staffing for Adequate Fire and Emergency Response** (SAFER).
- General Fund **savings balance** will not be projected to fall **below 12%** at the end of FY2014-15. Projected General Fund balance over 12% may be considered for one-time (non-recurring) expenditures.
- Funding of the Downtown **Business Improvement District (BID)** will continue with a tax rate appropriation of **7 cents** (per \$100 assessed value) on the property within the boundaries of the BID.
- The dedicated **Housing Fund** will continue with a tax rate appropriation of **1 cent** (per \$100 assessed value) property tax.
- **Non-recurring funds shall not be directed toward recurring uses.**
- **Fee adjustments will be considered**, as appropriate, to align fee revenues with cost of services for better cost recovery rates.
- Proposed **water and sewer rate** increases will not exceed an average of **3.0%**.
- Proposed **stormwater rate** increases will not exceed **8.5%** for National Pollution Discharge Elimination System (NPDES) required monitoring, maintenance and watershed plan implementation.
- A tax rate increase of **0.60 cents** (per \$100 assessed value) will be considered to replace the revenue loss of eliminating the monthly **Solid Waste Fee (\$1.80/monthly)**.
- Property tax dedicated to support **debt service** paid from the Debt Service Fund should **not exceed 15%** of total expected property tax collections plus all other General Fund and Debt Service Fund revenues.
- To balance expenditures against forecasted revenue reductions, the City Manager shall continue focused discussions with City departments regarding **program and service** priorities, possible areas for elimination, reduction, reorganization, and/or alternative service delivery models that address the performance and efficiency of City programs.

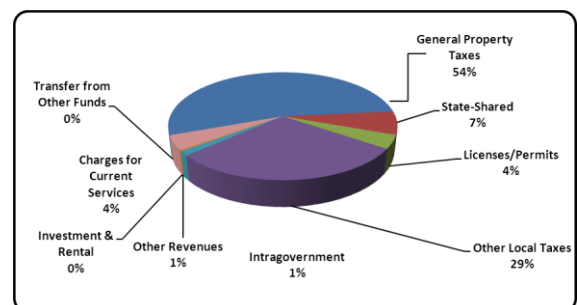
- Program and service reductions may result in elimination of authorized positions, reductions in force or employee furloughs within departments, as appropriate, based on service/demand.
- **City employees** are at the core of City services. Attracting and retaining a competent, high quality workforce is essential even in an environment of high unemployment. **The 2013 Resident Survey rated overall satisfaction with customer service for City employees at 67%. And, 83% were satisfied with the courtesy of our employees.** We must commit to consider employee compensation adjustments as a priority; therefore, the following **pay and benefit** components will be proposed:
  - Pay for Performance (P4P) pay plan for General employees (3%)
  - Pay Plan for sworn Police and Fire employees (3.5% average)
  - Supplemental Retirement - 401K – remain at 4.5%
  - Medical and Dental insurance – the priority will be to limit increased costs for the City and employees
- **Priority** will be given to those requests that support **strategic plan initiatives**.
- Funding for **deferred maintenance** will remain at **\$500,000** for FY2014-15.
- Dedicated funding for **paving and maintenance of streets and sidewalks** will be increased to **\$1,000,000** (an increase of \$250,000 compared to the FY2013-14 budget).
- Funding for **capital projects** will be provided in the form of pay-go funding or for debt service payments, and will be established at a minimum of **\$500,000**.
- Existing public **transit services** should be considered within the **3.87 cents** (per \$100 assessed value) allocated for Transit Services.
- **Fleet** funding will be maintained to replace vehicles with costs not to exceed **\$3,000,000** for the General Fund.
- **New positions** will only be funded for a partial year when warranted by the timing of the actual operational impact on the budget.

## BUDGET OVERVIEW

The total **budget** for **FY2014-15** is **\$386.7 million** compared to \$376.5 million for FY2013-14, an **increase of \$10.2 million (2.7%)**.

### GENERAL FUND

The **General Fund budget** (which provides funding for core city services) is **\$173.6 million** and represents a **\$3.9 million (2.3%) budget increase** from the FY2013-14 budget of \$169.6 million.



## Revenues

### (budget-to-budget)

- The General Fund shows:
- A **3.26% increase in property tax revenues** recognized in the General Fund.
- A **28.9% increase in sales tax revenue of which 3% represents growth and 25.9% represents the additional revenue generated from tax reform** – eliminating gas and electric franchise tax and replacing with a state sales tax which will be shared with cities.
- A **0.4% decrease in Business Licenses** revenue.
- Due to Tax Reform an overall decrease in **State Collected Local Government Revenues** of **43.2%**.
  - Elimination of Electric and Gas Franchise Tax (replaced with sales tax).
  - A 4.7% increase in Powell Bill revenues
  - A 2.0% increase in Beer and Wine tax
  - A 3% decrease in Telecomm and Video Utility Franchise tax
- A **11.6% increase** in transfer from **fund balance**.
- A **6.1% decrease** in **inspection fee** revenues and a **3.3% decrease** in **planning fee** revenues due to the completion of several large commercial projects in FY2013-2014.
- A **100% decrease** in **investment earnings** as they are being moved to the **Capital Projects Fund**.

## Property Taxes

The property tax rate will increase by 1.29 **cents** to **58.04 cents** per \$100 of assessed value. A tax increase of 0.73 cents (per \$100 assessed value) will be used in the debt service fund to cover increases in debt service costs. A tax increase of 0.56 cents (per \$100 assessed value) will be used in the General Fund to cover pay and benefit expenses assumed with the expiration of public safety grants (COPs and SAFER).

### The tax rate is allocated as follows:

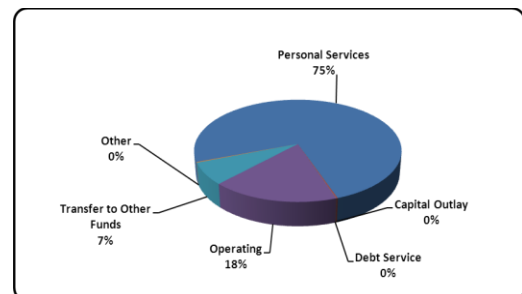
- **37.93 cents per \$100 for General Fund operations (increase of .56 cents per \$100 for continuation of COPs and SAFER grants)**
- **15.24 cents per \$100 for Debt (increase of .73 cents per \$100)**
- **3.87 cents per \$100 for Transit**
- **1.0 cent per \$100 for Dedicated Housing Fund**

A tax rate of 58.04 per \$100 generates a tax bill of \$870.60 on a house valued at \$150,000.

## Expenditures

### (budget-to-budget)

- **Personnel** expenditures increased by \$2.3 million (1.8%).
- **Operating** expenditures decreased by \$0.06 million (0.2%)
- **Transfers** increased by \$1.45 million (13.5%).



## WATER AND SEWER FUND

The **Water and Sewer Fund** budget of **\$85.3 million** adequately supports water and sewer operations and increased infrastructure debt service costs.

### Revenues

**Moderate increases for water and sewer volume charges and service charges are budgeted for FY2014-15.** The total rate increase to **the average customer is about 3%.** Rate changes will be considered at the May 19, 2014 City Council meeting and will be effective July 1, 2014, with implementation in the August and September billings.

	FY 14 Rates	FY 15 Rates
<u>Monthly Water Rates</u>		
Service Charge	\$ 6.15	\$ 6.36
Volume Charge - Tiered Rates (per 100 cubic foot - ccf)		
Tier 1 (0 - 2 ccf)	\$ 1.75	\$ 1.77
Tier 2 (>2 - 5 ccf)	\$ 2.63	\$ 2.67
Tier 3 (>5 - 8 ccf)	\$ 2.88	\$ 2.92
Tier 4 (>8 - 15 ccf)	\$ 3.76	\$ 3.82
Tier 5 (>15 ccf)	\$ 5.63	\$ 5.72
<u>Monthly Sewer Rates</u>		
Service Charge	\$ 7.02	\$ 7.26
Volume Charge (per ccf)	\$ 3.75	\$ 3.89

These rate changes account for the increase in water and sewer user revenues over the FY2013-14 budget. Lower consumption continues to drive customers into the lower rate tiers. Overall Water and Sewer Fund revenues (excluding use of fund balance) are budgeted to increase 2.5%.

### Expenditures

Water Capital Improvement Program (CIP) projects total **\$18.75 million to improve the infrastructure** required to ensure adequate water supply, treatment and delivery, and an additional **\$1.75 million for wastewater projects** for FY2014-15. A \$16.1 million transfer to the CIP is planned for FY2014-15, about \$0.8 million more than the amount transferred in FY2013-14.

Operating expenses are projected to increase by about \$451,000 (1.6%). This is primarily due to higher contributions to the Risk internal service fund (\$50,000), and increases to departmental operating items including supplies, maintenance and repair cost

## HIGHLIGHTS OF THE FY2014-15 BUDGET

The city aligns all of its activities with the citywide Strategic Plan goals (1) Strong and Diverse Economy (2) Safe and Secure Community (3) Thriving, Livable Neighborhoods (4) Well-Managed City and (5) Stewardship of City's Physical Assets.

**WELL-MANAGED CITY** – provide professional management that is accountable, efficient and transparent.

### Employee Compensation and Benefits

- Funding is provided to support an average **general employee pay increase of 3%** and to support **the police and fire pay plans (3%-5%)**.
- This budget includes an **increase to the minimum pay step** (minimum wage) for the department of **Parks and Recreation (DPR) part-time** employees by **\$0.75 per hour**, from \$7.25 to \$8.00 per hour. It will also maintain a 3% variance in the 5-step DPR Part-time Pay Plan for each position.
- The City's contribution to the employee **401K** provides additional retirement savings for employees. This budget proposes to maintain the City's contribution at **4.5% of eligible employees' salary**. State statute requires local governments to contribute 5% for sworn law enforcement officers.
- In accordance with State Statute, the retirement rate for general employees stayed the same at **7.07%**. Law enforcement officers, however, saw an increase from **7.28% to 7.41%** for the **Local Government Employees Retirement System (LGERS)**, requiring the City to increase its retirement contribution for law enforcement employees.
- **One of the objectives of our Strategic Plan; Goal 4: Well Managed City is to establish an exceptional, diverse, healthy and engaged workforce.** Our focus has been on greater analysis of benefits plan design, claims trends, and medical costs to ensure that we are managing our health care costs to the greatest extent possible. This is a nearly \$30 million fund insuring over 5,184 people. The Administration also collaborated with the insurance broker to assist in identifying ways to reduce the cost of health insurance while continuing to provide a quality insurance program plan for its employees. Due to the efforts above, there are **no proposed increases to the health insurance premiums. Dental insurance premiums will increase by 5.0%** for FY2014-15.
- As a result of program prioritization and the resources required and available, a total of **4 positions** will be **permanently eliminated**. Additionally, based on program prioritization and needs, funding is included for a total of **8 new positions**.

### Strategic Plan

- The adoption of the City's first overall **Strategic Plan** by City Council set the direction for the future of the City and resource allocation. During the Strategic Plan update process in late 2012, goals, objectives, outcome measures, initiatives and key priorities were all assessed with new measures and initiatives added along with some additional completed modifications. **The recently updated Strategic Plan was adopted by City Council on April 15, 2013.** A major component of the update was to engage our residents, stakeholders, City staff, and the Partners Against Crime Districts (PACs) in an effort to understand their vision of the five strategic plan goals and their ideas for specific projects and activities that the City can take on to realize these visions. Information obtained from the visioning sessions and surveys was used to guide the strategic plan update. The Strategic Plan outcome measures, objectives, intermediate measures, and initiatives have all made significant progress





during the past twelve months with a majority meeting or exceeding target. The organization is definitely trending in the right direction.

- In 2013, the City of Durham and Durham County aligned their strategic plans and collaborated on nine **Joint City/County Initiatives** with a focus on **youth, beautification, health, sustainability, economic development, resident safety, and the community**. This partnership has greatly improved communication, saved taxpayer dollars by pooling resources and has enabled the organizations to more effectively streamline their processes. Durham Public Schools has also partnered with the City on three of the nine joint initiatives.

## Technology

- **AT & T and Google are exploring the feasibility of building a high speed fiber network** which will provide internet speeds up to 100 times faster than current connections. AT & T has already executed a Master Network Agreement with the City of Durham as an initial step toward development, and Google will make a decision on the Raleigh-Durham metropolitan area by the end of the calendar year.
- The City and County will partner to implement a **joint Open Data project**, which will support both jurisdictions' goal to use technology to foster open, transparent, accessible, and collaborative government by sharing data freely. Funding is included for the Open Data portal and a consultant to implement the program.
- Funding is included to upgrade to **Web 2.0 to increase citizen engagement**, through added features which enable two-way communication with residents. These features include notifications of updates to the City website, surveys, commenting, and other social networking functionalities.
- Funding is included to purchase and implement software that would enable the City to provide a comprehensive **Applicant Tracking system**. This unique feature will enhance Human Resources services to both internal and external customers.
- The **Performance Management System dashboard** was launched for the public to use in August 2011 and has been updated and enhanced six times since implementation to include the addition of several new features. This is a tool to report progress made on the citywide measures and initiatives, providing a snapshot of performance to our residents. It enables management to make more effective decisions about programs and services using a wide range of data.

An update of the **multi-year financial plan** was completed in November 2013. It provided information to clearly identify the gap faced at the beginning of the budget development process. This is a crucial component of planning for the future as this plan will project the financial impact of achieving the objectives in the Strategic Plan.

The biennial **Employee Opinion Survey** will be conducted again in Fall 2014. Overall employee satisfaction with the organization increased from 72.6% in 2010 to 78.8% in 2012. Ratings above 75% are considered indicative of a "Quite Meaningful Positive Response." A subset of items has been designated as our Employee Engagement Index. We are anticipating similar or higher levels of employee engagement mainly due to the focused attention directors have placed on work units that scored low in the last survey.

The **Culture of Service** organizational renewal and employee engagement effort continues to serve the community through Habitat for Humanity and volunteer initiatives with schools and nonprofit agencies. A new program, focusing on Service to Self and internal sustainability, has certified 23 champions who completed values training and voluntary




service projects. The entire Neighborhood Improvement Services (NIS) department will be participating in the next **Culture of Service Certification Program** session.

**Accountability** - The City continues to maintain its excellent fiscal status evidenced by:

- A continuing **AAA bond rating** by all three rating agencies, the highest measure of financial security and one attained by only 37 of the nation's more than 22,500 cities;
- **Unqualified opinions by independent auditors** of the City's financial statements and compliance with major federal and state grants;
- A **strong Audit Services department**, ensuring compliance with applicable laws, policies and procedures, in addition to operating a "fraud, waste and abuse" hotline;
- Continued effort to develop meaningful **performance measures** for all programs and services to communicate the return on the taxpayer's investment. These measures will also help us to continually improve as an organization by monitoring progress toward our stated goals.

**Awards and Recognitions** – The City continues to be recognized for its best practices.

- In 2013, The **International City/County Management Association (ICMA)** recognized the City of Durham with the **Certificate of Excellence** from the ICMA Center for Performance Measurement, for superior performance management along with leadership in continuous improvement and community engagement. Durham is one of only 28 jurisdictions in the United States to receive this honor and the only one in North Carolina.
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- Durham is the 2013 recipient of an **Honorable Mention** for the "**The Richard Goodman**" **Strategic Planning Award** from the Association of Strategic Planning (ASP). The award recognizes distinction in the practice of strategy, innovation in the strategic planning process, and honors organizations at the leading edge of strategic practice.
  - The City of Durham ranked 25th place for having **one of the Best Fleets in the country** in the April 2014 Government Fleet magazine.
  - The Purchasing Division was awarded the **Sustained Professional Purchasing Award (SPPA)** for 2013. The SPPA is the highest award a purchasing department or division can obtain within the Carolinas Association of Governmental Purchasing (CAGP). The award recognizes sustained excellence in purchasing standards during the previous calendar year. The criteria for the award includes the use of technology, minority outreach, staff certification, customer training, vendor training, and the use of recycled products.
  - The **North Carolina City and County Communicators (NC3C)** awarded the City of Durham **first place in the Marketing Tools** category to encourage citizen participation for the first annual **E-town Hall event** held on June 3, 2013.
  - The Government Finance Officers Association (GFOA) presented the **Distinguished Budget Presentation Award** to the City's Budget and Management Services department for its 2013-2014 fiscal year annual budget. The GFOA's Distinguished Budget Presentation Awards Program is the only national awards program in governmental budgeting and more than 1,250 entries were submitted for this award.
  - The City's Comprehensive Annual Financial Report (CAFR) was acknowledged by the **Government Finance Officers Association (GFOA)**. The City's Fiscal Year 2012-13 CAFR was recognized with the **Certificate of Achievement for Excellence in Financial Reporting**, the GFOA's highest form of recognition in the area of government accounting and financial reporting.

**SAFE AND SECURE COMMUNITY** – provide safe and secure neighborhoods which are fundamental to the quality of life and economic vitality of the City.



**Public Safety Services** - Crime continues to be a concern of most residents. **According to the results of the 2013 Resident Survey even though 86% of residents feel safe walking alone in their neighborhood during the day**, only 49% feel safe walking in their neighborhood at night. Feeling safe and lowering the crime rate continue to be important issues voiced by the Council and Durham residents during the “Coffees with Council” and other public input meetings. Ensuring that the Police department, Fire department and Emergency Communications Center (911) are staffed and properly equipped to protect our citizens continues to be a high priority in the FY2014-15 budget.

- Funding is included to replace the remaining aged **Mobile Data Computers (MDC)** on all patrol vehicles to improve responder safety and response times.
- In October 2010, the Police department was awarded grant funding through the 2010 **COPS Hiring Program (CHP)** for 16 police officers. The estimated amount of the award over the three year funding period is \$2.5 million. This allowed the department to fill 16 positions unfunded during the FY2009-10 budget process. The grant funds ended in February 2014 and the City will assume funding for these 16 positions effective FY2014-15. With this funding **all authorized sworn positions in the department are fully funded.**
- In July 2012, the Fire department was awarded the **2011 Staffing for Adequate Fire and Emergency Response (SAFER) Grant** for 15 additional firefighters to increase the department's “two-in, two-out” capability within existing districts, improving response times and staffing levels. With the additional staff, the department's minimum staffing levels have shown significant improvements moving from 136 days below minimum staffing in FY2011-12 to two days below minimum staffing in FY2013-14. For FY2014-15, funding is included to permanently retain the SAFER funded positions after the Grant Period ends during the first quarter of 2015.
- Funding is included to replace outdated **extrication equipment** in order to adequately deliver safe and timely emergency services.
- Funding is included to address declining **response times** due to the increase call volume associated with the establishment of the ten digit dialing system.
- The Transportation department has various functional activities that support Crime Prevention. Funding is included to maintain existing lighting and provide additional lighting in both **residential and thoroughfare areas.**
- Funding is included to support contracts with the Administrative Office of the Courts (AOC) for a **Domestic Violence Judge, Witness/Victim Legal Assistant, and Gang Assistant District Attorney.**
- Funding is included for the joint City/County **Gang Reduction Strategy** initiative. The City contributes 50% for this initiative.
- The Police department successfully received its **Forensic Accreditation** in the areas of latent prints and firearms. Funding is included to receive accreditation in the area of digital forensic examination. This will enhance the department's ability to provide greater efficiencies of crime analysis in all three key areas: latent prints, firearms and digital forensic examination.
- The Durham Emergency Communications Center is the only 9-1-1 center in the United States to enable **Text-to-9-1-1 technology** using 9-1-1 digits and live-call takers using all 3 major carriers: Sprint, Verizon Wireless and AT&T Wireless.

**THRIVING AND LIVABLE NEIGHBORHOODS** – strengthen the foundation, enhance the value and improve the quality and sustainability of neighborhoods.

**Housing and Code Enforcement** - Vacant and boarded properties continue to affect many neighborhoods in the community and are tied to property value decline and increases in crime.

A systematic approach has been established to bring unsafe and deteriorating rental properties into compliance with the minimum housing code, and to reduce the number of vacant and boarded houses. The original assessment of boarded structures in 2011 revealed 502 boarded properties city-wide. This number was reduced to 125 during FY2013-14 and is anticipated to be reduced further to 75 by the completion of the 2015 fiscal year. A key focus has been to educate landlords of their rights and responsibilities to support safe housing, in compliance with the minimum housing code.

- **Code enforcement** efforts will continue to focus on compelling property owners to remediate code violations. The primary focus of FY2014-15 housing code enforcement will be the continued proactive inspection of rental property (PRIP) and remediation of boarded residential structures.
- Neighborhood Improvement Services will continue to **enforce compliance** at substandard properties, **remediate unsafe houses, clean up weedy lots and remove graffiti and abandoned vehicles** from neighborhoods.

**Targeting Distressed Neighborhoods** – Staff continues to take a holistic approach to improve Durham’s most distressed neighborhoods.

- Funding the **Dedicated Housing Fund** with 1 cent (per \$100 assessed value) of the property tax rate to address housing needs.
- In FY2014-15, implementation of the **Southside Redevelopment project** will continue. The construction and sale of 16-24 additional homeownership units is expected along with the completion of the **9-unit Piedmont Rentals project**. A major focus during the year will be on the design and completion of the site preparation and infrastructure improvements associated with the second phase of homeownership development on the Beamon/Piedmont assemblage and the second phase of rental development on the east side of Roxboro Street. It is also anticipated that Low Income Housing Tax Credits will be awarded to the Whitted School project in August 2014.
- In support of the Mayor’s initiative to address poverty, **Community Development** will be providing funds to **Habitat for Humanity** for nine projects in the Northeast Central Neighborhood.
- The **Neighborhood Compass formerly known as the Neighborhood Vitality Index (NVI)**, is a collection of data on a wide set of variables (social, physical, crime, economic, etc.) that evaluates and improves the quality of life in Durham neighborhoods and helps City government allocate resources and establish partnerships to increase accountability and target services to improve community conditions. The Compass was released to the public in May 2014 and included over 45 measurements of neighborhood quality of life, the built and natural environment, essential demographics and more. FY2014-15 will see the continuation of those efforts along with the furtherance of the public outreach phase.
- In 2012, the Neighborhood Improvements Services’ departmental external SWAT survey indicated a need for **greater outreach into the Latino community**. In response to this need, NIS was awarded \$96,720 in HUD Partnership Grant funding that will be used to continue research on affirmatively furthering fair housing in Durham and to assist with bilingual fair housing intake. Priority will be given to complaint intake and screening, identifying jurisdictional complaints (in accordance with HUD guidelines and the City ordinance) and developing relationships and conducting outreach with current and new Hispanic-Latino agencies. A portion of the grant award will support a day-long training co-hosted with the National Center for Lesbian Rights (NCLR) to provide education and outreach on HUD’s new equal access rule for the lesbian, gay, bisexual, and transgender (LGBT) community. The event will target LGBT community members, fair housing advocates, and housing providers.
- **Joint City/County Neighborhood Healthy Living** initiative which included implementing the \$50,000 grant from A Partnership for a Healthier America to hold five Play Streets events in 2013 and 2014 will continue into 2015 with \$25,000 city support.

Bull City Play Streets events are a high-impact, low-cost way to encourage healthier behaviors by taking what we already have in our communities to help kids get active.

- A total of **\$4.3 million** is being dedicated for **Parks & Recreation Capital Improvement projects** (CIP) through debt service, impact fees and grant funding. Projects included in the funding are: ADA improvements to Valley Springs and West Point on the Eno parks, athletic court improvements at East End, Forest Hills, and Pinewoods parks, improvements to Edgemont and CR Woods parks, soccer field improvements at Herndon and Twin Lakes parks, and the completion of the funding for phase II of the West Ellerbee Creek Trail.

**Transit Services and Durham Area Transit Authority (DATA)** – The budget includes **3.87 cents per \$100 of the property tax rate** to provide continued funding to core transit services.

- Funding from the new ½ cent sales tax and \$7 motor vehicle fee enacted in 2013 for **Bus service improvements** helped to increase the frequency of bus services on overcrowded routes. These revenue sources in the FY2014-15 budget provide funding for needs identified in the **Bus and Rail Investment Plan** and the **Designing Better Bus Service Plan** and include new routes to get riders to work destinations more quickly, with **increased frequency** to ease overcrowding, **improvements to bus stops and facilities**, and **security enhancements**.
- **Fare free transit service on the Bull City Connector** continues, providing fast, frequent fare free transit service between Duke Hospital, Downtown and Golden Belt. This service is provided in partnership with Duke University.
- Efforts continue to develop and implement a **regional plan for transit**, including but not limited to integration of light rail, commuter rail, high speed rail and bus following a successful referendum in Durham in November 2011 for a ½ cent sales tax to support transit service improvements.

### **Solid Waste Services**

- The department continues to charge a **\$1.80 monthly solid waste fee per household** to cover capital expenditures for Solid Waste Services. This fee will **generate \$1.39 million** in revenue for FY2014-15. This reduces the amount the department receives from the General Fund which is primarily supported by taxes.
- For FY2014-15 the department **is proposing to increase Yard Waste fees by \$1 a month which is anticipated to generate an additional \$87,614 in revenue**. The total fee would generate \$1,224,414 in revenue.
- Recycling tonnage is projected to be 13,700 tons for FY2013-14. For FY2014-15, the department **expects to collect 13,800 tons of recyclable material**. At today's Average Market Value, as a result of contract negotiations, the City would receive \$36.72 a ton for recyclable materials.
- **New Transfer Station** – Construction on a new 15,000 sq. ft. transfer station at the City's Waste Disposal and Recycling Center (WDRC) is currently in progress and anticipated to be complete in January 2015. Waste Industries, LLC. is constructing the facility at no cost to the City, and will operate the new Transfer Station upon completion. **This is an approximate \$3.4 million capital investment by Waste Industries**. The City will assume ownership of the new facility once a Certificate of Occupancy has been issued.
- Solid Waste management is proposing an **increase to the mixed solid waste tipping fee of two dollars, to \$44.50/ton**. This is in response to decreasing tonnage to the transfer station. This will generate an additional \$156,000 in revenue for the Solid Waste Fund. The total revenue generated by the fee is projected at \$3.9M.
- **The department has reduced operating costs by \$890,420** through making significant reductions to code enforcement (\$146,694) and Waste Reduction (\$79,189), and eliminating an Assistant Solid Waste Manager Position (\$64,537). Other employees

within the department will assume these duties for FY2014-15. **Additionally, \$600,000 of savings in the Waste Disposal contract have been identified.** These budget reductions will not affect core services, such as garbage, yard waste, and recycling collections.

**Protecting the Environment** - The City maintains an enhanced focus on sustainability to reduce greenhouse gas emissions and protect our environment.

- The City will be expanding the **Trees Across Durham** effort, including launching a tree recognition program, targeted efforts to protect against damaging pests, and planting more trees.
- The City will launch a **Green Business Challenge and Recognition program** to encourage businesses to take more voluntary efforts to reduce their environmental impacts and recognize those that lead in this effort.
- The City will complete **Charge Ahead Durham**, a social marketing campaign to increase awareness of environmental issues and encourage citizens to conserve resources and protect the environment.

**Youth Programs** - Providing year-round positive activities for youth is a continuing priority. Our goal is to engage youth through our city departments and support of local non-profits. The following points highlight activities for youth, teens and others:

- Parks and Recreation will continue to **offer youth care programs (Afterschool, Summer Camp, Intersession camps, and Fun Days)** offered throughout seven City Recreation Centers (Irwin R. Holmes, Sr. Recreation Center, Edison Johnson Recreation Center, Weaver Street Recreation Center, Walltown Park Recreation Center, W. D. Hill Recreation Center, East Durham Recreation Center, and the W. I. Patterson Recreation Center), two shared-use sites (Holton Career and Resource Center and Community Family Life and Recreation Center at Lyon Park), and one outdoor park (West Point on the Eno).
- Sustaining youth and family-oriented programs is a priority for the Parks and Recreation department. The **Jr. NBA/Jr. WNBA provides basketball opportunities for approximately 600 youth, while the Durham Girls Soccer League (DGSL) provides soccer programming for approximately 300 youth.** Outdoor recreation programs continue to be a success: low ropes course programs and high ropes discovery course programs at Bethesda Park, the adventure outings (kayaking, canoeing, etc.), community campouts, and community campfire programs.
- The City Manager's Office will partner with Durham County and Durham Public Schools to fund **two new positions for the Durham System of Care, at a cost of \$60,000 to the City.** These positions will facilitate the planning and implementation of programs which aim to **improve opportunities for at-risk and high risk youth.** These positions will work to implement the recommendations provided by IBM in its study of local youth services. A portion of the funding will also support strategic plan consultation to ensure that the positions are implementing IBM's recommendations as planned.

**Arts and Culture** – Durham's arts and culture is enriched by its history, heritage, and diversity. Thoughtful investment in arts and culture initiatives also generate significant economic benefits for cities.

- The City will continue its management agreements with the **Carolina Theatre**, the **Durham Arts Council** and **St. Joseph's Historic Foundation** for \$635,000, \$649,500 and \$292,000 respectively. This budget also includes funding for the agreement with **Lyon Park** in an amount up to \$189,934 based on the CPI adjustment. In addition, funding is included to support the continuation of **public art** facilitated through the City's Public Art Policy.

**A STRONG AND DIVERSE ECONOMY** – Durham continues to maintain and grow a strong and diverse economy through a variety of business, industrial and employment opportunities for the community.

**Downtown Revitalization and Parrish Street** - The Office of Economic and Workforce Development (OEWD) will continue efforts to engage business interests in the downtown tier, building on the successes of recent years to make the downtown area a destination for Durham citizens and visitors.

- City Council has approved **changes to the Economic Development, Financial Assistance and Incentive Policy** for Job Creation, Job Retention and Capital Investment originally adopted in April 2011. The major policy change included the expansion of the defined Community Development Area to include the Ninth Street Commercial District to be eligible for grants and incentive dollars.
- This budget allocates **\$137,467 for Downtown Revitalization** to provide grants, incentives, professional services and special event-related costs to build economic strength in the expanded Downtown Tier.
- This budget allocates **\$153,227 in Parrish Street** funds for Building Improvement Grants, Retail, Service and Professional Grants, Historic Parrish Street Forum operating expenses and associated educational programming to further preserve the history, highlight the unique character, and promote the future of Parrish Street.

**Job Preparation and Placement** - The Office of Economic and Workforce Development (OEWD) will continue to provide services based upon the Durham Workforce Development Board FY2012-2014 Strategic Plan and delivered through the Durham JobLink Career Center system to connect Durham businesses with local talent.

- This budget allows for OEWD to **provide high quality services to businesses** in conjunction with partnerships with the Greater Durham Chamber of Commerce, Durham Technical Community College, North Carolina Central University, Duke University and Healthcare System, Downtown Durham, Inc. and the City's Office of Equal Opportunity and Equity Assurance. OEWD will also work with other not-for-profit and governmental entities that provide resources related to the recruitment, retention, expansion and startups of businesses.
- OEWD will continue with state-mandated integrated service delivery to help improve customer service and create a seamless delivery system to assist jobseekers with the services they need and help connect businesses to qualified workers. This will be achieved through the **JobLink Career Center System** which focuses on preparation, training, placement and retention of Durham residents in career opportunities, especially those in high growth industries.

### **Youth Employment Opportunities**

- City and County departments, as well as other public and private sector entities will continue to hire youth for year round jobs through **Durham YouthWork Internship Program**, a partnership between the City of Durham, Durham County, Durham Public Schools, the Durham JobLink Career Center System, Durham Workforce Development Board, and private sector businesses.
- Parks and Recreation provides a **free aquatic school** to train teens to attain lifeguard certifications, **leading to employment with the department**.
- **Job skills trainings** (Safe Sitter, Job Readiness Programs) are offered for teens at many recreation centers. **Campus tours** offer teens an opportunity to visit and learn about programs at local colleges.

- The Office of Economic and Workforce Development will maintain the **Youth Employed and Succeeding (YES)** Program, the **Youth Work Experience** program and the **Working Hard on Achieving (WHOA)** program.

**STEWARDSHIP OF CITY'S PHYSICAL ASSETS** – plan, provide, and maintain adequate infrastructure which supports quality of life and serves as a foundation of a healthy economy.

The **FY2015-2020 Capital Improvement Program (CIP)** is presented to the City Council in a companion document to the FY2014-15 annual budget. The capital improvement budget **includes \$93.3 million for new projects and to complete existing projects**. Funding is provided through impact fees, Water and Sewer revenues and revenue bonds, General Fund financings, pay-as-go funding, and Stormwater fees.

Funding was granted for **\$69 million in General Fund capital projects** for projects that were deemed a priority and essential to the City's capital infrastructure needs. The remaining **\$24.3 million of CIP funding was dedicated to Water and Sewer and Stormwater** enterprise projects. The City is committed to providing complete and ongoing communications to citizens and the City Council about the progress of all projects. To monitor the status of any capital project, citizens can visit our website at (<http://www.durhamnc.gov/cip>).

During the bond campaigns in 2005, 2007 and 2010, voters were informed of possible tax increases to pay debt service on bonds issued for projects. **The FY2014-15 budget includes a .73 cents per \$100 tax increase for debt.** The projected General Fund debt to appropriations ratio for **FY2014-15 is 14.66%.**

The CIP budget includes:

- **General Capital Projects:**
  - \$44.2 million for Police Headquarters
  - \$10.7 million for Emergency Communications Relocation
  - \$0.35 million for ADA compliance
  - \$0.34 million for cemetery repairs
  - \$0.57 million for Durham Armory repairs
  - \$0.39 million for energy management projects
  - \$1.80 million for fire breathing apparatus replacement (SCBA)
  - \$0.40 million for petition sidewalk construction
  - \$0.45 million for dirt streets
  - \$5.20 million for Fire Station 17
  - \$0.40 million for Twin Lakes soccer field repair
  - \$1.50 million for West Ellerbe Creek Trail
  - \$0.63 million for Athletic Court Renovations (Tennis & Basketball)
- **Parks, Recreation and Open Space Impact Fees:**
  - \$0.20 million for Edgemont Park repairs
  - \$0.90 million for Herndon Park soccer field repairs
  - \$0.25 million for restroom refurbishing at CR Woods Park
  - \$0.37 million for West Ellerbe Creek Trail
- **Stormwater Projects:**
  - \$3.90 million to address flood plain management, drainage repairs, retrofits and major stormwater infrastructure



- **Water and Sewer Projects:**
  - \$20.50 million for water and sewer improvements including water and sewer rehabilitation, distribution, and construction.
- **Fleet:**
  - \$6.02 million for General Fund, Solid Waste, Stormwater and Water Management fleet vehicles.
- **Street Maintenance:**
  - **\$1,000,000** to address annual **ongoing maintenance of streets and sidewalks**. The allocation was increased by \$250,000 from the previous fiscal year, and the budget was moved from Public Works operating to the CIP.

Other capital needs will be met in the operating budget:

- **\$500,000** for **deferred maintenance** to continue to address needs outside of the CIP. All deferred maintenance projects have been prioritized and funding will be applied in priority order.

## CONCLUSION

Fiscal Year 2014-15 Proposed Budget is the result of a series of reviews and decisions that focus on where we have been, where the economy has taken us, and thoughtfully places us on solid footing for the future. We are in a place where we have developed a track record of open and honest dialogue, transparent decision making with a clear strategic vision of where we want to be in the coming years. The Mayor and City Council have laid the foundation for fiscal sustainability in the often times difficult reductions made over the last several years. We must continue this practice to ensure our ability to meet and support the highest priorities of the community. These priorities were communicated via the Resident Survey and include the quality of police services, maintenance of city streets, and the flow of traffic in the city. Although we are experiencing the positive effects of recovery, we must remain vigilant and reserved in our approach in this and coming budgets and continue to focus on community priorities and core services if we are to maintain our strong financial stability.

Financial projections of revenue and expenditure models continue to indicate that future expenses for public safety and transportation (including transit) alone will outpace property tax and sales tax growth over the next five years. This along with many unknowns as a result of the State General Assembly's overhaul of the State tax system will require even more financial discipline, along with deliberate program evaluation and prioritization of all City services and expenditures.

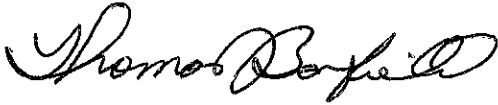
The budget challenges we face are not new. As a community, we must recognize that changes in the national economy and the City's revenue situation are unlikely to support the service costs that we have had in the past. We must adapt and make changes to our City government that emphasizes a balance of core services – those services that are most important to us. We must provide these services in a quality manner at the least possible cost. At the same time, we must increase revenues wherever possible and fine-tune our City's economy to maximize the generation of revenue that can be used to provide services to our community. City leaders, employees and residents working together have successfully overcome fiscal challenges in the past. Not only were we able to balance our budgets and maintain excellent credit ratings, we have achieved a great deal during that time as well.

I look forward to working with the Mayor and City Council as you consider this proposed budget and as we continue to address the fiscal challenges posed by an uncertain economy and approaching cost increases. My appreciation to the management team for their creativity and prudent management, to

all City employees who have continued to provide the best service possible with limited resources, and to all departments for all their good work in developing this budget. In closing, special recognition and thanks are provided to Budget and Management Services Director, Bertha Johnson and the entire Budget and Management Services staff (BMS) as they have been at the forefront of not just the budget development process but also the continued execution of our Strategic Plan. Together we will continue to strive to make Durham the leading City in providing an excellent and sustainable quality of life.

Great things continue to happen in Durham!

Respectfully Submitted,

A handwritten signature in cursive script, reading "Thomas J. Bonfield". The signature is written in dark ink and is positioned above the printed name and title.

Thomas J. Bonfield  
City Manager